

## Case Study

Determining the right metrics and aligning protocols to prioritize work queues improves operational performance and reduces compliance risk

**Improving operational performance and delivery through identifying and measuring the key metrics, with a focus on aging and turnaround time, compliance, mitigating accreditation risk via new processes, reporting, and operational discipline.**


### Summary Overview

Our quickly growing health plan client discovered that their Claim Operations' appeals inventory had grown well beyond the team's ability to maintain. This concern surfaced as a result of a failed audit conducted by an independent, voluntary quality assurance review and accreditation organization. The audit revealed that our client's member-liability claim appeals needing clinical review did not meet the timeliness of resolution standards required for accreditation. Our client was scheduled to undergo a follow up audit within that year (grace period) in order to retain accreditation and needed to improve inventory management in order to avoid failing the repeat audit.

The processes the client had begun to put in place, in an effort to remediate their accreditation risk for claim appeals, were not yielding results. Instead, the client found that the backlog of unresolved appeals continued to grow in spite of these efforts. Therefore, our engagement with this client began with helping them understand why the way they were going about things would never allow them to catch up, no less address the appeals turnaround time, compliance, and accreditation risk they faced moving forward.

**Objective:** We partnered with this health plan with the goal of eliminating accreditation compliance risk for member-liability appeals requiring clinical review by ensuring at least 90% are managed within 30 days.

**Result:** As a result of this consulting engagement, the client's outstanding inventory was reduced from 50% out of turn-around time compliance to under 2%. This result dramatically reduced accreditation risk and established a new level of operational discipline whereby operations leaders now manage their process and inventory on a daily basis with performance reporting in place to support both inventory and productivity management.



- ✓ IDENTIFY THE PROBLEM
- ✓ LEARN HOW TO TRACK AND MEASURE
- ✓ REORGANIZE TEAM AND DEDICATE RESOURCES
- ✓ FORCE OPERATIONAL DISCIPLINE TO GET IT DONE

#### CLIENT SITUATION: WHAT WE DISCOVERED

There were a number of aspects of the client's overall operations across many different areas of the company that not only hindered efforts to remediate the pressing accreditation risk, but also made it very difficult to get a firm grasp on the overall situation at hand – how big of a problem was it and where the best avenues for improvement

resided. What follows here is a summary of our initial discovery findings and how they are pertinent to the proposed and adopted interim solution(s):

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#### INTAKE:

Client had several different methods of medical claims appeals intake. The claims operations team received new work from everywhere and anywhere - via the mail room, e-mail, miscellaneous mailboxes, the health care provider portal, and phone calls to customer service. These various avenues for intake created an opportunity for appeals to be misrouted, misidentified, and simply lost. It also made it difficult to track and report results on a daily basis and over time.

Once claims appeals found their way to claims operations, there were literally a dozen work queues scattered about in the claims area with no process in place to dictate how any of that work was assigned, nor any standards in place for expected turn-around time.

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#### ORGANIZATION AND HANDOFFS:

There were multiple teams in place with some level of responsibility for handling appeals, including a claims processing team, coding team, risk operations team, payment integrity, and clinical services. The process was unwieldy due to the number of handoffs and re-routing of different types of appeals.

There was no comprehensive approach to appeals processing and thus a legacy of inventory mismanagement and accountability gaps across the many different teams/resources involved in the overall appeals lifecycle. There were no standards or explicit expectations set between and among teams involved in review, relative to turn-around time and disposition (where the claim would go next). Instead, there was a “good faith effort” to address the appeals that showed up daily, alongside other work that needed to take place.

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#### REPORTING:

What reporting was in place did not adequately reflect the overall status of the appeals inventory (being focused on daily intake) and was therefore inadequate for both ongoing performance assessment and as a tool to manage. The teams did not view reporting as having a pivotal role in day-to-day operations, and more of a “check the box” requirement for upper management review.

Other than call center metrics, none of the teams had what might pass for operational reporting and/or other means of gaining insight into the performance of their operation, tracking of current inventory and aging. The teams had no real ability to fully grasp and react to what was actually taking place.

#### ***What gets measured, gets managed...***

This issue of reporting (or lack thereof) was very much at the root of the problem. When we first engaged with the client, we were invited to attend bi-weekly executive management meetings where the team charged with addressing the appeals inventory issue reported out. Interestingly enough, their reports continued to show them in “green” status, even though the backlog of unresolved appeals continued to grow.

Our discovery pointed to three specific problems, leading to this disconnect between reporting and results.

**First**, the status reporting being shared was all about how many new claims were coming in without any context. The team had a standard in place for how many appeals they expected to see come in daily, and the reporting measured actual daily intake to this “standard.” They were simply not measuring in a way that allowed them to manage the overall inventory situation because their reporting did not accurately reflect that entirety. They were tracking metrics that did not provide insight into the actual amount of work and its status from an aging perspective.

**Second** (and related to the status reporting practice), they viewed the daily “active” incoming appeals and the backlog as two separate bodies of work, and thus had no visibility nor solutioning to address the appeals inventory and its management holistically.

**Accountability:** There were no turn-around standards or expectations in place across all the different handoffs in the process, and a lack of metrics to size and evaluate the process of moving appeals from intake to resolution.

## APPROACH TO REMEDIATE IMMEDIATE COMPLIANCE RISK

Our first order of business was to cast a wide collection net across all the different parts of the organization where claims appeals were being received and held awaiting distribution for review and processing. We needed a way to establish the scope of the problem, both in terms of its size and which types (and numbers) of appeals were germane to the compliance and audit/accreditation problem.

In order to accomplish this, a couple of interim actions were put in place:

### SCOPING THE PROBLEM:

- ✓ Identify the “universe” and types of appeals that come in. Name and re-label the various work queues and organize contents according to the different types of appeals they represent and where those appeals needed to go for resolution. This largely eliminated a lot of confusion about the appeals inventory and became the basis for being able to size and scope the overall situation. For purposes of this initial project, focus of attention needed to be on the claims appeals that required clinical review. But establishing a more organized and systematic repository for intake and collection allowed for greater understanding and visibility into the appeals work effort overall. Appeals could now be counted and categorized.
- ✓ Put in place some interim reporting that would simply track the number and type of incoming and existing appeals coming in through each of the different “intake” areas.
- ✓ Conversations with each of the operational areas to uncover what their current process is and identify some foundational supporting metrics for interim reporting.

## INTERIM AND OPERATIONAL REPORTING APPROACH



### Interim Reporting

- ✓ **Customer Service**
  - Daily tracking of work queue in place
- ✓ **Risk Management**
  - Daily tracking of clinical referrals
  - Interim tracking of all inventory and aging
- ✓ **Claims Operations**
  - Daily tracking of all receipts, inventory, aging, and completed work in place

### Future State Operational Reporting

- ✓ **Conversations with each of the operational teams to review processes and assess appropriate supporting metrics**
- ✓ **Process reviews and metrics identification in support of full range operational reporting**
- ✓ **Operational reporting will proceed along two avenues**
  - **Inventory and throughput reporting, to include total inventory numbers, receipts, capacity, aging, and completed work**
  - **Process and metrics reporting, to include the movement of work through process stages and turn-around times**

## ESTABLISHING CAPACITY ROLES/RESPONSIBILITIES:

Once we were able to size and scope the problem, our next task was to establish measure(s) of capacity. This had been difficult to ascertain initially because of the ill-defined roles and responsibilities across many different parts of the organization involved one way or another in reviewing and resolving claims appeals. There really were no dedicated resources solely responsible, nor a defined workflow, for moving appeals through to final disposition.

First, a determination was made for how many dedicated resources (full time) were needed to handle the new appeals coming in. This was achieved by reviewing the historical performance of the team and establishing achieved productivity rates to benchmark capacity and compare it to new receipts and existing inventory totals to understand the throughput needed to get back within compliance goals and maintain going forward. Once we were able to determine the capacity needed, we were able to assess the resources needed to achieve that number and get dedicated resources assigned.

Second, our assessment of the existing inventory and rate of incoming receipts as well as available capacity revealed to us that the historical “first in first out (FIFO)” approach used by the team would not result in success. The team was only working items already out of compliance by the time they were reviewed. They were never reducing the inventory to the point where they could work down to managing work items that fell within the standard. We therefore separated the total inventory into two tranches: new and aged. New inventory was defined as those work items still within the compliance standard while aged represented the work items already aged out of compliance.

Finally, we identified the resources/capacity needed to ensure no additional work moved out of compliance while also laying out the needs for eliminating the backlog to achieve overall compliance with existing work. In order to realize the capacity needs, we developed a plan consisting of cross-training other operation’s team members and

temporarily reassigning team members to build capacity. Next we, assigned people to a specific appeal type each to promote mastery and efficiency. Last, voluntary overtime was offered. All activity was tracked and reported on a daily basis and resources were moved around to meet peaks in volume and address highest risk inventory.

Our focused approach to address the immediate need, namely, to mitigate turnaround time, compliance/ accreditation risk, was all about inventory reduction. This goal was accomplished:

- ✓ Accreditation risk for out of compliance claim appeals needing referral for clinical review was eliminated, and over the entire audit lookback period, averaged 1% of referrals versus an accreditation audit standard of 10%.
- ✓ Tighter standards for aging and “days’ work on hand” were successfully implemented to ensure compliance and accreditation risk remains minimized.

In addition, a secondary benefit as a by-product of this work was the establishment of new process and performance standards to ensure ongoing maintenance and monitoring of performance were implemented. Operations leaders now manage their process and inventory daily and reporting is in place in support of inventory and productivity management.

**DAILY INVENTORY TRACKER:**

A Daily Inventory Tracker was put into place based on daily work queue reporting to calculate completed work and aging. Review capacity is then recalculated as needed, using an accompanied resource grid with a production goal of 4 appeals/hour.

	1	2	3
Existing Inventory	500	533	591
New Appeals Received	74	89	71
Number >30 Days	250	245	272
% >30 Days	50%	46%	46%
Daily Work On Hand	6.2	6.7	7.4
Capacity/Resources	5	5	8
Appeals Worked - Actual	41	31	182
Ending Inventory Target	496	542	533
Ending Inventory Actual	533	591	480
Variance to Target Capacity	-37	-49	+53

Ending Inventory was building.

Action taken to build capacity and decrease inventory levels:

- Additional cross-trained resources added to manage the queue and increase throughput.
- Workers assigned to specific appeal types to increase efficiency.
- Voluntary overtime offered.

**Note: Data is hypothetical and for example only**

The grid above reflects daily tracking of the inventory being measured. This was constructed and used to ensure transparency and accuracy in the size of the inventory, rate of new receipts, amount of inventory out of compliance, and the work completed each day actual versus forecasted capacity. By tracking this way over time, we were able to see the daily impact of our efforts and continually set goals, as well as adjust capacity to meet the demand.

## SUMMARY

- ✓ All new work items (not just appeals) triaged with two-day turnaround time (TAT) to ensure appropriate identification and routing.
- ✓ Specific resources dedicated to all types of work across teams.
- ✓ New work queues set up for each type of work to avoid confusion.
- ✓ Daily tracking in place for receipts, existing inventory, completed work, referrals, and aging.

## DISCUSSION/LEARNINGS

Our client was in the enviable position to have recently expanded their business operations and customer base from a local/regional presence, to offering their health plan and services across the country in many different states – all with their own unique regulatory practices and other demands for doing business. As is often the case with a rapidly growing organization, many of their operational practices which were “manageable” when the organization was smaller and local became quickly unwieldy in ways that were hard to recognize without more defined processes and procedures in place.

So, it was not surprising for us to discover some very basic and foundational standard operating procedures that, once identified, evaluated, and put into practice, enabled our client to meet the requirements of a larger, growing enterprise with success and confidence.

Benefits included:

- ✓ Accurately documenting all the means of claims appeals entry allowed for the design of a more simplified and consolidated method of intake and work effort.
- ✓ Recognition that appeals will be easier to manage if the number of handoffs is reduced via a centralized approach (one dedicated team).
- ✓ Having more teams (other than just the call center) with full operational reporting provides insights into the health of their operations and how (in this case) lack of that visibility contributed to appeals inventory increases, compliance risk, and resource allocation issues. There is a greater appreciation at the line level for reporting as a means of managing and not just for upper management review.
- ✓ Last, the project opens the door for a more detailed process, work effort, and metrics identification initiative for each individual team, with new reporting designed to support process, metrics, quality, and operational insight. All hallmarks of a maturing organization posed for continued growth and success.



- ✓ **IMPLEMENTED TIGHTER STANDARDS FOR AGING AND DAYS WORK ON HAND TO ENSURE ANY COMPLIANCE RISK IS MINIMIZED**
- ✓ **TRANSITION TO STEADY STATE WAS ACHIEVED – DAILY METRICS ESTABLISHED AND DEDICATED TEAM WITH PERFORMANCE FEEDBACK LOOPS IN PLACE**